

CITY OF GROVETOWN, GEORGIA  
ANNUAL FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**CITY OF GROVETOWN, GEORGIA  
ANNUAL FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of City Council  
and City Administrator  
City of Grovetown, Georgia

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Grovetown, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements. These financial statements collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

## **Basis for Disclaimer of Opinions on the Governmental Activities, the Business-Type Activities, Each Major Fund and the Aggregate Remaining Fund Information**

The City experienced fraud during the year which resulted in a lack of supporting documentation for cash, accounts receivable and revenues. Due to the fraud and subsequent investigations, the City was unable to provide supporting documentation for a majority of the revenue transactions selected for testing during the audit. Further, we were unable to determine the completeness of the City's cash, accounts receivable and revenues. As a result of this matter, we were unable to determine whether any adjustments might have been found to determine the accuracy and completeness of the financial statements as a whole.

### **Disclaimer of Opinions**

Because of the significance of the matters described in the "Basis for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements referred to in the first paragraph.

### **Emphasis of Matter**

As described in Note 13, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68, as of January 1, 2015. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our disclaimer of opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability, the schedule of employer's contributions and schedule of the City's proportionate share of the net pension liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

We were engaged to audit the financial statements that collectively comprise the City of Grovetown, Georgia's basic financial statements. The combining fund statements, and the schedules of project expenditures with sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements and the schedules of project expenditures with sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters described in the "Basis for Disclaimer of Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the combining fund statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Serotta Maddocks Evans & Co.*  
SEROTTA MADDOCKS EVANS & CO.

Augusta, Georgia  
November 15, 2018

**CITY OF GROVETOWN, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

Georgia law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that was established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

Serotta Maddocks Evans, CPAs (the firm) has issued a disclaimer of opinion on the City of Grovetown, Georgia's financial statements for the year ended December 31, 2015. The independent auditors' report is located at the front of the financial section of this report.

As management of the City of Grovetown, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent calendar year by \$31,410,574. Of this amount, \$22,507,825 reflects net investment in capital assets. At year end, the City's unrestricted net position totaled \$6,647,415 and could be used at the discretion of the Mayor and City Council.
- The City reported a \$1,083,056 increase in net position for the year ended December 31, 2015. This is an increase of \$175,013 from the prior year.
- As of December 31, 2015, the City's combined fund balance of the City's governmental funds was approximately \$6,942,868, an increase of \$173,430 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

**CITY OF GROVETOWN, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

***Government-Wide Financial Statements*** - The government-wide financial statements consist of two statements: 1) statement of net position and 2) statement of activities.

The *statement of net position* presents information for the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the government-wide financial statements are prepared utilizing the accrual basis of accounting and distinguish functions of the City.

In the government-wide financial statements, the City is divided into two categories of activities:

*Governmental activities* - Most of the City's basic services are reported in this category, including the police, fire, transportation, culture and recreation, and general administration. Property taxes, sales taxes, insurance premium taxes, and franchise fees finance most of these activities.

*Business-type activities* - The City charges a fee to customers to help it cover the cost of services it provides. The City's water and sewer system and stormwater system are reported in this category.

**Reporting the City's Most Significant Funds**

***Fund Financial Statements*** - The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law. However, the City established many other funds to help it control and manage money for purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

***Governmental Funds*** - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left in the funds at year-end are those available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions.

**CITY OF GROVETOWN, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

The relationship or difference between governmental activities (reported in Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements. The City of Grovetown, Georgia has four individual governmental funds (General Fund, SPLOST 2011-2016 Fund, Police Seizure Fund, and Transportation SPLOST Fund).

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the SPLOST 2011-2016 Fund, both of which are considered major funds. This information is also presented for the non-major funds.

***Proprietary Funds*** - The City charges customers for the services provided (water and sewer and stormwater service) to outside customers including other local governments. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and stormwater fund, both of which are considered to be major funds of the City. The proprietary fund financial statements can be found immediately following the governmental fund financial statements.

***Notes to the Financial Statements*** - The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund statements. The notes to the basic financial statements can be found on pages 21 through 40 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees, budgetary comparative information for the general fund and proprietary fund and infrastructure modified approach. Supplementary information begins on page 41.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

By far the largest portion of the City's net position (73%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF GROVETOWN, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Summary of Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current assets	\$ 7,925,819	\$ 7,375,640	\$ 2,261,718	\$ 2,125,097	\$ 10,187,537	\$ 9,500,737
Capital assets	18,613,497	18,971,340	6,594,661	6,336,605	25,208,158	25,307,945
Total assets	<u>26,539,316</u>	<u>26,346,980</u>	<u>8,856,379</u>	<u>8,461,702</u>	<u>35,395,695</u>	<u>34,808,682</u>
<b>Deferred outflows of resources</b>	106,590	-	30,064	-	136,654	-
<b>Liabilities</b>						
Current liabilities	538,938	522,042	429,058	570,568	967,996	1,092,610
Long-term liabilities	487,253	84,160	2,585,307	2,649,797	3,072,560	2,733,957
Total liabilities	<u>1,026,191</u>	<u>606,202</u>	<u>3,014,365</u>	<u>3,220,365</u>	<u>4,040,556</u>	<u>3,826,567</u>
<b>Deferred inflows of resources</b>	63,350	-	17,869	-	81,219	-
<b>Net Position</b>						
Net investment in capital assets	18,613,497	18,971,340	3,894,328	3,415,304	22,507,825	22,386,644
Restricted for:						
Debt service	-	-	237,383	229,886	237,383	229,886
Capital projects	2,017,951	1,846,798	-	-	2,017,951	1,846,798
Unrestricted	<u>4,924,917</u>	<u>4,922,640</u>	<u>1,722,498</u>	<u>1,596,147</u>	<u>6,647,415</u>	<u>6,518,787</u>
	<u>\$ 25,556,365</u>	<u>\$ 25,740,778</u>	<u>\$ 5,854,209</u>	<u>\$ 5,241,337</u>	<u>\$ 31,410,574</u>	<u>\$ 30,982,115</u>

**Governmental Activities**

The City's governmental revenues increased by approximately \$150,182 and expenses increased by \$505,813. Both property tax revenue and selective tax revenues contributed to the increase in total revenues. The most significant governmental expenses for the City were public safety and public works expenses. Public safety expenses totaled approximately \$2,114,878. Public works expenses totaled approximately \$2,338,770.

The governmental activities change in net position was \$199,394. Out of total net position, \$4,924,917 is unrestricted and available for future spending.

**Business-type Activities**

Revenue of the City's business-type activities was \$2,977,866 which is an increase of \$294,408 from the prior year. Expenses for the City's business-type activities decreased by \$236,235 to \$2,730,445. The business-type activities change in net position was \$883,662. Out of total net position, \$1,722,498 is unrestricted and available for future spending.

Overall, governmental and business-type activities increased the City's net position by \$1,083,056 for the year ended December 31, 2015. A summary of this increase is as follows:

**CITY OF GROVETOWN, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 1,554,872	\$ 1,445,823	\$ 3,280,974	\$ 2,620,959	\$ 4,835,846	\$ 4,066,782
Operating grants/contributions	86,566	126,559	-	-	86,566	126,559
Capital grants/contributions	1,562,073	-	50,000	57,483	1,612,073	57,483
<b>General Revenues</b>						
Property taxes	1,515,750	1,610,560	-	-	1,515,750	1,610,560
Sales tax	1,738,874	3,100,566	-	-	1,738,874	3,100,566
Selective taxes	1,303,132	1,258,914	-	-	1,303,132	1,258,914
Franchise and business taxes	459,025	442,715	-	-	459,025	442,715
Unrestricted investment earnings	4,349	2,335	1,060	853	5,409	3,188
Gain on sale of capital assets	1,608	19,100	-	4,163	1,608	23,263
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>8,226,249</u>	<u>8,006,572</u>	<u>3,332,034</u>	<u>2,683,458</u>	<u>11,558,283</u>	<u>10,690,030</u>
<b>Expenses</b>						
General government	1,943,279	1,796,025	-	-	1,943,279	1,796,025
Judicial	145,299	157,527	-	-	145,299	157,527
Public safety	2,156,907	2,133,511	-	-	2,156,907	2,133,511
Public works	2,359,784	1,940,102	-	-	2,359,784	1,940,102
Health and welfare	43,009	48,452	-	-	43,009	48,452
Culture and recreation	435,603	379,684	-	-	435,603	379,684
Housing and development	306,733	360,005	-	-	306,733	360,005
Water and sewer	-	-	3,084,613	2,966,680	3,084,613	2,966,680
Total expenses	<u>7,390,614</u>	<u>6,815,306</u>	<u>3,084,613</u>	<u>2,966,680</u>	<u>10,475,227</u>	<u>9,781,986</u>
Excess	835,635	1,191,265	247,421	(283,222)	1,083,056	908,043
Transfers	<u>(636,241)</u>	<u>-</u>	<u>636,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	199,394	1,191,265	883,662	(283,222)	1,083,056	908,043
Net position - beginning	25,740,778	32,992,701	5,241,337	6,050,355	30,982,115	39,043,056
Prior period adjustment	-	(8,443,188)	(162,537)	(525,796)	(162,537)	(8,968,984)
Change in accounting principle	<u>(383,807)</u>	<u>-</u>	<u>(108,253)</u>	<u>-</u>	<u>(492,060)</u>	<u>-</u>
Net position - beginning - restated	<u>25,356,971</u>	<u>24,549,513</u>	<u>4,970,547</u>	<u>5,524,559</u>	<u>30,327,518</u>	<u>30,074,072</u>
Net position - ending	<u>\$ 25,556,365</u>	<u>\$ 25,740,778</u>	<u>\$ 5,854,209</u>	<u>\$ 5,241,337</u>	<u>\$ 31,410,574</u>	<u>\$ 30,982,115</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2015, the City had \$25,208,158 (net of accumulated depreciation) being reported as capital assets. This investment in capital assets includes police and fire equipment, buildings, park facilities, roads and utility system upgrades. Major capital asset additions during the year included improvements and expansion of the city's sewer lines, and equipment and vehicles purchased for various city departments. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

**CITY OF GROVETOWN, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

**Capital Assets at Year-End**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,807,408	\$ 1,807,408	\$ 309,450	\$ 309,450	\$ 2,116,858	\$ 2,116,858
Construction in progress	351,564	69,130	145,150	-	496,714	69,130
Buildings and improvements	6,737,635	6,737,635	-	-	6,737,635	6,737,635
Vehicles and equipment	4,011,602	3,956,668	965,080	473,879	4,976,682	4,430,547
Infrastructure and utility systems	22,270,521	21,925,138	11,583,450	11,572,412	33,853,971	33,497,550
	35,178,730	34,495,979	13,003,130	12,355,741	48,181,860	46,851,720
Accumulated depreciation	(16,565,233)	(15,524,639)	(6,408,469)	(6,019,136)	(22,973,702)	(21,543,775)
Total	\$ 18,613,497	\$ 18,971,340	\$ 6,594,661	\$ 6,336,605	\$ 25,208,158	\$ 25,307,945

**Long-Term Liabilities**

A majority of the City's long-term obligations were secured to fund its investments in capital assets. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

**General Fund Budgetary Highlights**

Every year, the City's overall goal is to provide essential services to our citizens as cost effectively and professionally as possible. The Mayor and the City Council members work diligently to prepare for the future while ensuring that current processes work as efficiently as possible and continue to seek improvement. The City's governing body shows great diligence in creating a sound budget. For the year, actual revenues and expenditures were comparable with budgeted amounts.

**Economic Factors and Next Year's Budget and Rates**

The Mayor, City Council members and their appointed officials have continued to aggressively address the current and future needs of the City. The City's elected and appointed officials consider many factors when setting the fiscal year 2015 budget: property tax rates, expected sales tax and insurance premium tax, and various fees that will be collected. One of the factors is the economy. Although Grovetown, Georgia is a small city, the local economy remains strong. The City's growth has been fueled by new residential development over the past several years. Along with the residential growth, the City has attracted several commercial developments.

**Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be addressed to the Finance Director, P.O. Box 120, Grovetown, Georgia 30813.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GROVETOWN, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 7,203,181	\$ 1,993,790	\$ 9,196,971
Receivables	571,265	172,633	743,898
Prepaid	44,041	-	44,041
Internal balances	107,332	(107,332)	-
Restricted cash	-	202,627	202,627
Capital assets			
Non-depreciable assets	2,158,972	454,600	2,613,572
Depreciable assets, net of accumulated depreciation	16,454,525	6,140,061	22,594,586
Total assets	<u>26,539,316</u>	<u>8,856,379</u>	<u>35,395,695</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contribution to the pension plan	106,590	30,064	136,654
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	364,933	127,803	492,736
Accrued liabilities	145,393	-	145,393
Customer deposits	-	61,402	61,402
Accrued interest	-	3,930	3,930
Compensated absences	28,612	2,470	31,082
Notes payable	-	233,453	233,453
Noncurrent liabilities:			
Compensated absences	83,772	13,543	97,315
Notes payable	-	2,457,962	2,457,962
Net pension liability	403,481	113,802	517,283
Total liabilities	<u>1,026,191</u>	<u>3,014,365</u>	<u>4,040,556</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension investment return	26,495	7,473	33,968
Pension experience differences	25,967	7,325	33,292
Changes in pension assumptions	10,888	3,071	13,959
Total deferred inflows of resources	<u>63,350</u>	<u>17,869</u>	<u>81,219</u>
<b>NET POSITION</b>			
Net investment in capital assets	18,613,497	3,894,328	22,507,825
Restricted for:			
Debt service	-	237,383	237,383
Capital projects	2,017,951	-	2,017,951
Unrestricted	4,924,917	1,722,498	6,647,415
Total net position	<u>\$ 25,556,365</u>	<u>\$ 5,854,209</u>	<u>\$ 31,410,574</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2015**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Functions/Programs							
Governmental activities:							
General government	\$ 1,943,279	\$ 75,908	\$ -	\$ 1,562,073	\$ (305,298)	\$ -	\$ (305,298)
Judicial	145,299	208,627	-	-	63,328	-	63,328
Public safety	2,156,907	144,320	-	-	(2,012,587)	-	(2,012,587)
Public works	2,359,784	871,963	86,566	-	(1,401,255)	-	(1,401,255)
Health and welfare	43,009	13,275	-	-	(29,734)	-	(29,734)
Culture and recreation	435,603	43,432	-	-	(392,171)	-	(392,171)
Housing and development	306,733	197,347	-	-	(109,386)	-	(109,386)
Total governmental activities	<u>7,390,614</u>	<u>1,554,872</u>	<u>86,566</u>	<u>1,562,073</u>	<u>(4,187,103)</u>	<u>-</u>	<u>(4,187,103)</u>
Business-type activities							
Water and sewer	3,002,385	3,081,016	-	50,000	-	128,631	128,631
Stormwater	82,228	199,958	-	-	-	117,730	117,730
Total business-type activities	<u>3,084,613</u>	<u>3,280,974</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>246,361</u>	<u>(3,940,742)</u>
	<u>\$ 10,475,227</u>	<u>\$ 4,835,846</u>	<u>\$ 86,566</u>	<u>\$ 1,612,073</u>	<u>(4,187,103)</u>	<u>246,361</u>	<u>(3,940,742)</u>
General revenues:							
Property taxes					1,515,750	-	1,515,750
Sales taxes					1,738,874	-	1,738,874
Selective taxes					1,303,132	-	1,303,132
Franchise and business taxes					459,025	-	459,025
Unrestricted investment earnings					4,349	1,060	5,409
Gain on the sale of capital assets					1,608	-	1,608
Total general revenues					<u>5,022,738</u>	<u>1,060</u>	<u>5,023,798</u>
Transfers					(636,241)	636,241	-
Total general revenues					<u>4,386,497</u>	<u>637,301</u>	<u>5,023,798</u>
Change in net position					199,394	883,662	1,083,056
Net position - beginning of year - previously reported					25,740,778	5,241,337	30,982,115
Prior period adjustment					-	(162,537)	(162,537)
Change in accounting principle for pensions					(383,807)	(108,253)	(492,060)
Net position - beginning of year - restated					<u>25,356,971</u>	<u>4,970,547</u>	<u>30,327,518</u>
Net position, end of year					<u>\$ 25,556,365</u>	<u>\$ 5,854,209</u>	<u>\$ 31,410,574</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

	General Fund	SPLOST 2011-2016	Non-major Governmental Activities	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 5,211,101	\$ 1,681,954	\$ 310,126	\$ 7,203,181
Receivables	367,503	186,479	17,283	571,265
Prepaid expenses	44,041	-	-	44,041
Due from other funds	114,008	-	-	114,008
Total assets	<u>\$ 5,736,653</u>	<u>\$ 1,868,433</u>	<u>\$ 327,409</u>	<u>\$ 7,932,495</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 187,042	\$ 177,891	\$ -	\$ 364,933
Due to other funds	6,676	-	-	6,676
Accrued liabilities	145,393	-	-	145,393
Total liabilities	<u>339,111</u>	<u>177,891</u>	<u>-</u>	<u>517,002</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	39,969	-	-	39,969
Customer deposits	30,701	-	-	30,701
Total deferred inflows of revenues	<u>70,670</u>	<u>-</u>	<u>-</u>	<u>70,670</u>
<b>FUND BALANCES</b>				
Nonspendable	44,041	-	-	44,041
Restricted	-	1,690,542	327,409	2,017,951
Unassigned	5,282,831	-	-	5,282,831
Total fund balances	<u>5,326,872</u>	<u>1,690,542</u>	<u>327,409</u>	<u>7,344,823</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,736,653</u>	<u>\$ 1,868,433</u>	<u>\$ 327,409</u>	<u>\$ 7,932,495</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

Total fund balances - governmental funds	\$	7,344,823
Amounts reported for governmental activities in the statement of net position are different because:		
Net capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the funds		18,613,497
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		106,590
Deferred inflows of resources related to pensions		(63,350)
		43,240
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the Governmental Funds Balance Sheet, but are reported in the governmental activities of the Statement of Net Position		70,670
Certain liabilities, which are not due and payable in the current period, are therefore, not reported in the funds		
Net pension liability		(403,481)
Compensated absences		(112,384)
		(515,865)
Net position of governmental activities in the Statement of Net Position	\$	25,556,365

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**DECEMBER 31, 2015**

	<b>General Fund</b>	<b>SPLOST 2011-2016</b>	<b>Non-major Governmental Activities</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 5,130,454	\$ -	\$ -	\$ 5,130,454
Licenses and permits	197,347	-	-	197,347
Intergovernmental	-	1,375,121	186,952	1,562,073
Charges for services	1,235,464	-	-	1,235,464
Fines and forfeitures	208,627	-	-	208,627
Investment earnings	3,327	887	135	4,349
Miscellaneous	-	-	-	-
Total revenues	<u>6,775,219</u>	<u>1,376,008</u>	<u>187,087</u>	<u>8,338,314</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,850,238	-	-	1,850,238
Judicial	145,299	-	-	145,299
Public safety	1,834,924	-	3,820	1,838,744
Public works	1,756,963	-	-	1,756,963
Health and welfare	43,009	-	-	43,009
Culture and recreation	332,807	-	-	332,807
Housing and development	304,982	-	-	304,982
Capital outlay	-	677,657	74,224	751,881
Total expenditures	<u>6,268,222</u>	<u>677,657</u>	<u>78,044</u>	<u>7,023,923</u>
Excess of revenues over expenditures	<u>506,997</u>	<u>698,351</u>	<u>109,043</u>	<u>1,314,391</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer to water and sewer fund for capital purchases	-	(636,241)	-	(636,241)
Proceeds from sales of capital assets	1,608	-	-	1,608
Net changes in fund balances	508,605	62,110	109,043	679,758
Fund balances - beginning	<u>4,818,267</u>	<u>1,628,432</u>	<u>218,366</u>	<u>6,665,065</u>
Fund balances - ending	<u>\$ 5,326,872</u>	<u>\$ 1,690,542</u>	<u>\$ 327,409</u>	<u>\$ 7,344,823</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2015**

Net change in fund balances - governmental funds \$ 679,758

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expenses for the period

Current year capital asset additions	\$ 115,640	
Depreciation expense	<u>(404,353)</u>	(288,713)

Governmental funds defer all tax revenues not collected within 60 days of year end. However, the statement of activities uses the accrual method of accounting and, thus, the entire amount is recognized, regardless of the collection date. This is the amount by which the prior year unearned revenue is less than the current year unearned revenue. (113,673)

The issuance of long-term debt (e.g., notes payable) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term related accounts.

Compensated absences		(8,483)
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In the fund financials, contributions to pension plans are expensed when paid. In the statement of activities pension expense is recognized for the change in the City's proportionate share of the collective net pension liability and related deferred inflows/outflows. (69,495)

Change in net position of governmental activities		<u><u>\$ 199,394</u></u>
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**CITY OF GROVETOWN, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,628,550	\$ 5,078,201	\$ 5,130,454	\$ 52,253
Licenses and permits	130,000	170,000	197,347	27,347
Charges for services	912,000	1,287,293	1,235,464	(51,829)
Fines and forfeitures	232,800	175,918	208,627	32,709
Investment earnings	2,000	2,600	3,327	727
Surplus property sales	12,000	1,608	1,608	-
Use of fund balance	550,000	65,000	-	(65,000)
<b>Total revenues</b>	<b>8,467,350</b>	<b>6,780,620</b>	<b>6,776,827</b>	<b>(3,793)</b>
<b>Expenditures</b>				
General government	1,682,710	1,913,810	1,850,238	63,572
Judicial	183,550	185,300	145,299	40,001
Public safety	1,991,265	1,968,527	1,834,924	133,603
Public works	2,440,883	1,960,183	1,756,963	203,220
Health and welfare	30,700	48,600	43,009	5,591
Culture and recreation	344,450	358,450	332,807	25,643
Housing and development	293,800	345,750	304,982	40,768
<b>Total expenditures</b>	<b>6,967,358</b>	<b>6,780,620</b>	<b>6,268,222</b>	<b>512,398</b>
Excess (deficiency) of revenues over expenditures	1,499,992	-	508,605	508,605
<b>Net changes in fund balances</b>	<b>\$ 1,499,992</b>	<b>\$ -</b>	<b>508,605</b>	<b>\$ 508,605</b>
Fund balances - beginning of year			4,818,267	
Fund balances - end of year			<b>\$ 5,326,872</b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SPLOST 2011-2016**  
**DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,198,000	\$ 1,198,000	\$ 1,375,121	\$ 177,121
Investment earnings	250	250	887	637
Use of fund balance	1,465,000	1,465,000	-	(1,465,000)
	<u>2,663,250</u>	<u>2,663,250</u>	<u>1,376,008</u>	<u>(1,287,242)</u>
<b>Total revenues</b>				
	<u>2,663,250</u>	<u>2,663,250</u>	<u>1,376,008</u>	<u>(1,287,242)</u>
<b>Expenditures</b>				
Capital outlay	<u>2,663,250</u>	<u>2,663,250</u>	<u>677,657</u>	<u>1,985,593</u>
	<u>2,663,250</u>	<u>2,663,250</u>	<u>677,657</u>	<u>1,985,593</u>
<b>Total expenditures</b>				
	<u>2,663,250</u>	<u>2,663,250</u>	<u>677,657</u>	<u>1,985,593</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>698,351</u>	<u>698,351</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer to water and sewer fund for capital purchases	<u>-</u>	<u>-</u>	<u>(636,241)</u>	<u>(636,241)</u>
<b>Net changes in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>62,110</u>	<u>\$ 62,110</u>
Fund balances - beginning of year			<u>1,628,432</u>	
Fund balances - end of year			<u>\$ 1,690,542</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**STATEMENT OF FUND NET POSITION**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2015**

	Water & Sewer Fund	Stormwater Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,904,157	\$ 89,633	\$ 1,993,790
Receivables	172,633	-	172,633
Due from other funds	36,676	25,057	61,733
Total current assets	<u>2,113,466</u>	<u>114,690</u>	<u>2,228,156</u>
Noncurrent assets			
Restricted cash	202,627	-	202,627
Due from other funds	446,807	-	446,807
Capital assets:			
Non-depreciable assets	454,600	-	454,600
Depreciable assets, net of accumulated depreciation	6,131,143	8,918	6,140,061
Total non-current assets	<u>7,235,177</u>	<u>8,918</u>	<u>7,244,095</u>
Total assets	<u>9,348,643</u>	<u>123,608</u>	<u>9,472,251</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan	30,064	-	30,064
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	126,885	918	127,803
Due to other funds	137,621	30,000	167,621
Payable from restricted assets:			
Accrued interest	3,930	-	3,930
Customer deposits	61,402	-	61,402
Current portion of compensated absences	1,184	1,286	2,470
Current portion of bonds, notes, and loans payable	233,453	-	233,453
Total current liabilities	<u>564,475</u>	<u>32,204</u>	<u>596,679</u>
Non-current liabilities			
Compensated absences	11,321	2,222	13,543
Due to other funds	-	448,251	448,251
Net pension liability	113,802	-	113,802
Bonds, notes, and loans payable	2,457,962	-	2,457,962
Total non-current liabilities	<u>2,583,085</u>	<u>450,473</u>	<u>3,033,558</u>
Total liabilities	<u>3,147,560</u>	<u>482,677</u>	<u>3,630,237</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension investment return	7,473	-	7,473
Pension experience differences	7,325	-	7,325
Changes in pension assumptions	3,071	-	3,071
Total deferred inflows of resources	<u>17,869</u>	<u>-</u>	<u>17,869</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,894,328	-	3,894,328
Restricted for debt service	237,383	-	237,383
Unrestricted	2,081,567	(359,069)	1,722,498
Total net position	<u>\$ 6,213,278</u>	<u>\$ (359,069)</u>	<u>\$ 5,854,209</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2015**

	Water & Sewer Fund	Stormwater Fund	Total
<b>Operating revenues</b>			
Water sales	\$ 1,289,749	\$ -	\$ 1,289,749
Sewer sales	1,465,414	-	1,465,414
Water and wastewater tap fees	188,728	-	188,728
Stormwater fees	-	199,958	199,958
Late fees	89,833	-	89,833
Other	47,292	-	47,292
Total operating revenue	<u>3,081,016</u>	<u>199,958</u>	<u>3,280,974</u>
<b>Operating expenses</b>			
Salaries and benefits	649,628	46,279	695,907
Professional fees	12,601	15,690	28,291
Testing and training	22,272	90	22,362
Vehicle expense	26,223	3,882	30,105
Insurance and pension cost	179,228	7,311	186,539
Utilities	69,068	-	69,068
Maintenance and repair	157,907	4,498	162,405
Chemicals	27,161	667	27,828
Postage and supplies	17,037	1,581	18,618
Bank card merchant fees	20,785	-	20,785
Miscellaneous	40,242	-	40,242
County water and sewerage	988,602	-	988,602
Depreciation	387,103	2,230	389,333
Total operating expenses	<u>2,597,857</u>	<u>82,228</u>	<u>2,680,085</u>
Operating income	<u>483,159</u>	<u>117,730</u>	<u>600,889</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	1,042	18	1,060
Interest expense	(50,360)	-	(50,360)
Capital contribution from SPLOST	636,241	-	636,241
Theft loss	(354,168)	-	(354,168)
Capital contribution - loan forgiveness	50,000	-	50,000
Total non-operating revenues (expenses)	<u>282,755</u>	<u>18</u>	<u>282,773</u>
Change in net position	765,914	117,748	883,662
Net position - beginning of year - previously reported	5,241,337	-	5,241,337
Prior period adjustment	314,280	(476,817)	(162,537)
Change in accounting principle for pensions	(108,253)	-	(108,253)
Net position - beginning of year - restated	<u>5,447,364</u>	<u>(476,817)</u>	<u>4,970,547</u>
Net position - end of year	<u>\$ 6,213,278</u>	<u>\$ (359,069)</u>	<u>\$ 5,854,209</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2015**

	Water & Sewer Fund	Stormwater Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 3,045,330	\$ 174,901	\$ 3,220,231
Cash payments to suppliers for goods and services	(1,764,910)	(31,367)	(1,796,277)
Cash payments to employees for services	(857,382)	(42,771)	(900,153)
Net cash from operating activities	<u>423,038</u>	<u>100,763</u>	<u>523,801</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	-	(11,148)	(11,148)
Principal payments on debt	(176,580)	-	(176,580)
Interest payments on debt	(50,360)	-	(50,360)
Net cash from capital and related financing activities	<u>(226,940)</u>	<u>(11,148)</u>	<u>(238,088)</u>
<b>Cash flows from investing activities</b>			
Interest earned on cash and investments	1,042	18	1,060
Net cash from investing activities	<u>1,042</u>	<u>18</u>	<u>1,060</u>
<b>Change in cash and cash equivalents</b>	197,140	89,633	286,773
<b>Cash and cash equivalents, beginning of year</b>	<u>1,909,644</u>	<u>-</u>	<u>1,909,644</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,106,784</u>	<u>\$ 89,633</u>	<u>\$ 2,196,417</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 483,159	\$ 117,730	\$ 600,889
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	387,103	2,230	389,333
Theft loss	(354,168)	-	(354,168)
Net change in assets and liabilities			
Other and accounts receivable	36,316	-	36,316
Prepaid items	6,584	-	6,584
Amounts due from other funds	(6,746)	(25,057)	(31,803)
Accounts payable and accrued liabilities	(115,985)	918	(115,067)
Customer deposits	(122,944)	-	(122,944)
Accrued salaries	(23,006)	-	(23,006)
Compensated absences	(5,520)	3,508	(2,012)
Accrued interest	624	-	624
Due to other funds	137,621	1,434	139,055
Net cash provided by operating activities	<u>\$ 423,038</u>	<u>\$ 100,763</u>	<u>\$ 523,801</u>
<b>Non-cash transactions</b>			
The city had a non-cash transaction relating to GEFA forgiveness of debt	\$ 50,000	\$ -	\$ 50,000
Net capital assets transferred in from governmental funds	636,241	-	636,241

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 1 - Summary of significant accounting policies**

The accounting and reporting policies of the City of Grovetown (the “City”) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

**A. Financial reporting entity - basis of presentation**

*Primary Government* - The City was created in 1881. The City provides public safety, streets and highways, public improvements, culture and recreation, and general and administrative services to its population. The accompanying financial statements present the City’s primary government, for which the City is financially accountable. Additionally, the City is not financially accountable for any component units.

**B. Government-wide and fund financial statements**

The *government-wide financial statements* include the statement of net position and the statement of activities. Government-wide financial statements report information on all the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund financial statements, if applicable. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational capital requirements of a function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate *fund financial statements* are provided for governmental funds and proprietary funds. Each major fund is reported in separate columns in the fund financial statements. The combined amounts for these are reflected in a single column in the fund balance sheet and the fund statement of revenues, expenditures, and changes in fund balance.

**C. Measurement focus, basis of accounting, and financial statement presentation**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing and related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements have been met. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 1 - Summary of significant accounting policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current fiscal period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Major revenue sources that are susceptible to accrual are property taxes, sales taxes, insurance premium taxes, and intergovernmental revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works, streets, recreation and capital acquisitions.

The *Special Purpose Local Option Sales Tax (SPLOST)* Fund is used to account for monies received from intergovernmental revenues (i.e. special purpose local option sales taxes) for various City projects. The fund is classified as a major fund.

Proprietary Fund Financial Statements are used to account for activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows.

Proprietary funds are accounted for using the accrual basis of accounting as follows:

Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred. On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expenses that are not a result of the direct operations of the activity.

The City reports the following proprietary funds:

*Water and Sewer Fund* to account for water and sewer operations as well as construction and maintenance of water and sewerage projects.

*Stormwater Fund* to account for the City's stormwater operations and related capital projects.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 1 - Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**a. Cash, cash equivalents and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less. State statutes and the City's official investment policy authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, banker's acceptances, money market mutual funds and direct obligations of the State of Georgia.

The City records investments at fair market value in accordance with GAAP. All investment income is recognized as revenue in the appropriate fund's statement of activity of revenues, expenditures and changes in fund balance.

**b. Receivables and payables**

Property tax receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible accounts.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met. Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

**c. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the balance sheet of the governmental funds reports a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF GROVETOWN, GEORGIA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2015**

**Note 1 - Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

**d. Inventories and prepaid expenses**

Inventories of the General and Proprietary Funds are accounted for as expenditures at the time of purchase. Expenditures for insurance and similar services extending over more than one accounting period are allocated between accounting periods. Reported prepaid expenses are equally offset by a nonspendable fund balance reserve.

**e. Capital assets - primary government**

Capital assets, which include land, buildings and infrastructure assets (e.g., roads and bridges), are reported in the government-wide financial statements. Capital assets such as vehicles, furniture and equipment are defined as assets with a cost of \$1,000 or more. Computers and weapons, regardless of cost, are included as capital assets. Infrastructure assets include City-owned roads, curbs, sidewalks and drainage. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets, except for infrastructure, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements	10-40
Infrastructure	25-50
Furniture and Fixtures	5-7
General Equipment	5-10
Vehicles	4-7
Computer Hardware	3-5

**f. Compensated absences and post-retirement benefits**

The vacation policy of the City provides for the accumulation of up to a certain amount of earned vacation leave with such leave being fully vested when earned. For the City's government-wide financial statements and proprietary fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded when leave is earned.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 1 - Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

**f. Compensated absences and post-retirement benefits (continued)**

The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. No accrual has been established for accumulated sick leave of employees since it is the City's policy to record the cost of sick leave only when it is used.

**g. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

**h. Unemployment compensation benefits**

The City is the reimbursing employer for unemployment compensation benefits. Reimbursements are made based on regular billings received from the Georgia Unemployment Commission.

**i. Net position**

Net position represents the difference between assets deferred outflows/inflows and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted as described in the fund balance section below.

**j. Fund balance**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

*Nonspendable* - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City has the following non-spendable fund balances:

- General fund - \$44,041 in prepaid items.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 1 - Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

**j. Fund balance (continued)**

*Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City has the following restricted fund balances:

- SPLOST 2011-2016 Fund - \$1,690,542 externally imposed by laws or regulations of other governments for capital projects.
- Other non-major governmental activities - \$327,409 externally imposed by laws or regulations of other governments. Of this amount \$323,447 is for capital projects and \$3,962 is for public safety.

*Committed* - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of resolution. Only the City Council may modify or rescind the commitment.

*Assigned* - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's Finance Committee or the City's Finance Director to assign fund balances.

*Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds. The City has \$5,282,831 in unassigned general fund balance.

The flow assumption for the classification of fund balances are as follows: The City considers an expenditure to be made from the most restrictive first when more than one classification is available. The City would typically use the restricted first, followed by committed resources, and the assigned resources, as appropriate opportunities arrive, but reserve the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 1 - Summary of significant accounting policies (continued)**

**k. Use of estimates**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that effect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**l. Theft loss**

The preparation of basic financial statements in conformance with GAAP requires management to record losses due to theft in an amount that is reasonably estimable. In 2015, based on the results of an independent forensic audit, the City reasonably estimates the 2015 loss to be \$354,168.

**E. Stewardship, compliance, and accountability budgetary information**

During the year preceding the budget year, the City follows the below administrative and fiscal procedures in establishing the budgetary data reflected in the accompanying financial statements of the General Fund:

In October, the City Administrator and other department heads prepare a tentative budget to be given to the Mayor for review. After the review is completed, the City publishes notice of a public hearing on the proposed budget. The hearing is held a week from the date the notice is published. After the public hearing has been held, the budget is voted on and approved at the first City Council meeting in December. Changes in and amendments to the adopted budget are approved during the year, if reserves are available to fund these modifications.

The accompanying statement of revenues, expenditures, and changes in fund balances, budget and actual, for the General Fund, presents a comparison of the legally adopted budget with actual operating results on a budgetary basis. The City's budget is prepared using GAAP. Encumbrance accounting, under which purchase orders and contracts are recorded to reserve that portion of the applicable appropriation, is not used by the City.

As of December 31, 2015, the Stormwater fund reported a \$359,069 deficit in fund balance.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 2 - Deposits, investments and investment policies**

*Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The City's investment policy requires deposits that exceed the federal depository insurance to be collateralized with securities of the federal government or its agencies and held by the pledging financial institution's trust department in the City's name. As of December 31, 2015, none of the City's bank balances were exposed to custodial credit risk.

*Investments* - The City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Primary Government			
Certificate of Deposit	Average of 180 days	\$1,023,485	AAAm
Water and Sewer Fund			
Certificate of Deposit	Average of 180 days	\$147,236	AAAm

The City has investments subject to its control and jurisdiction in obligations of the United States, bond or certificates of indebtedness of the State of Georgia, certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation, and other legal investments. All investments held by the City are in accordance with policy.

**Note 3 - Receivables**

*Property tax receivables* - The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2015 were levied on August 15, 2015 and were due November 15, 2015. Thirty (30) days after the due date, the unpaid taxes became a lien. Unpaid property taxes received within 60 days of the year end are recognized and recorded as revenue.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to November 15, and are delinquent after that date.

*Intergovernmental receivables* - The City receives approximately 9.5% of a 1% local option sales tax on all retail sales within the County. The proceeds of such tax collected each year are used to reduce, on a dollar for dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales tax received during the year ended December 31, 2015 amounted to \$1,740,783.

The City also receives approximately 5.8% of 1% (SPLOST) funds, Special Purpose Local Option Sales Tax, to be used as designated and approved after public hearings. The approved expenditures are generally for capital projects in the City. The SPLOST funds received during the year ended December 31, 2015 amounted to \$1,375,121.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 3 - Receivables (continued)**

Receivables as of year-end for the governmental activities and business type activities, individual major governmental funds, including the applicable allowances for uncollectible accounts, as required by GAAP are as follows:

	Governmental Activities	Business-type Activities	Total
Taxes	\$ 94,349	\$ -	\$ 94,349
Intergovernmental Accounts	164,224 313,492	- 175,753	164,224 489,245
Gross receivables	572,065	175,753	747,818
Less allowance for uncollectible accounts	(800)	(3,120)	(3,920)
Total receivables, net	<u>\$ 571,265</u>	<u>\$ 172,633</u>	<u>\$ 743,898</u>

**Note 4 - Capital assets**

Changes in capital assets for governmental activities are as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
<b>Governmental activities:</b>					
<i>Non-depreciable assets:</i>					
Land	\$ 1,807,408	\$ -	\$ -	\$ -	\$ 1,807,408
Construction in progress	69,130	496,714	(145,150)	(69,130)	351,564
	<u>1,876,538</u>	<u>496,714</u>	<u>(145,150)</u>	<u>(69,130)</u>	<u>2,158,972</u>
<i>Depreciable assets:</i>					
Infrastructure	21,925,138	266,124	-	-	22,191,262
Buildings and improvements	6,737,635	-	-	-	6,737,635
Vehicles and equipment	3,956,668	534,987	(480,053)	-	4,011,602
Utility systems	-	90,297	(11,038)	-	79,259
	<u>32,619,441</u>	<u>891,408</u>	<u>(491,091)</u>	<u>-</u>	<u>33,019,758</u>
<i>Accumulated depreciation:</i>					
Infrastructure	(11,111,032)	(539,367)	-	-	(11,650,399)
Buildings and improvements	(1,890,666)	(166,162)	-	-	(2,056,828)
Vehicles and equipment	(2,522,941)	(333,079)	-	-	(2,856,020)
Utility systems	-	(1,986)	-	-	(1,986)
	<u>(15,524,639)</u>	<u>(1,040,594)</u>	<u>-</u>	<u>-</u>	<u>(16,565,233)</u>
Total capital assets being depreciated, net	<u>17,094,802</u>	<u>(149,186)</u>	<u>(491,091)</u>	<u>-</u>	<u>16,454,525</u>
Total Governmental Activities	<u>\$ 18,971,340</u>	<u>\$ 347,528</u>	<u>\$ (636,241)</u>	<u>\$ (69,130)</u>	<u>\$ 18,613,497</u>

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 4 - Capital assets (continued)**

Assets with an initial cost of \$1,000 or more and an estimated useful life of more than two years are capitalized.

Depreciation expense for the year ended December 31, 2015 was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 81,608
Public safety	276,134
Public works	581,807
Recreation	<u>101,045</u>
Total depreciation expense	<u>\$ 1,040,594</u>

A summary of changes in capital assets for business-type activities are as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
<b>Business-type activities:</b>					
<i>Non-depreciable assets:</i>					
Land	\$ 309,450	\$ -	\$ -	\$ -	\$ 309,450
CIP	-	-	145,150	-	145,150
	<u>309,450</u>	<u>-</u>	<u>145,150</u>	<u>-</u>	<u>454,600</u>
<i>Depreciable assets:</i>					
Vehicles	285,241	-	27,311	-	312,552
Machinery and equipment	188,638	11,148	452,742	-	652,528
Utility systems	11,572,412	-	11,038	-	11,583,450
	<u>12,046,291</u>	<u>11,148</u>	<u>491,091</u>	<u>-</u>	<u>12,548,530</u>
<i>Accumulated depreciation:</i>					
Vehicles	(172,142)	(35,130)	-	-	(207,272)
Machinery and equipment	(115,036)	(73,036)	-	-	(188,072)
Utility systems	(5,731,958)	(281,167)	-	-	(6,013,125)
	<u>(6,019,136)</u>	<u>(389,333)</u>	<u>-</u>	<u>-</u>	<u>(6,408,469)</u>
Total capital assets being depreciated, net	<u>6,027,155</u>	<u>(378,185)</u>	<u>491,091</u>	<u>-</u>	<u>6,140,061</u>
Total business-type activities	<u>\$ 6,336,605</u>	<u>\$ (378,185)</u>	<u>\$ 636,241</u>	<u>\$ -</u>	<u>\$ 6,594,661</u>

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 5 - Long-term debt**

Debt under governmental activities consists of the following for the year ended December 31, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 103,901	\$ 119,994	\$(111,511)	\$ 112,384	\$ 28,612
Net Pension Liability	383,807	94,911	(75,237)	403,481	-
	<u>\$ 487,708</u>	<u>\$ 214,905</u>	<u>\$(186,748)</u>	<u>\$ 515,865</u>	<u>\$ 28,612</u>

Debt under business-type activities consists of the following for the year ended December 31, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water and Sewer refunding bond	\$ 765,000	\$ -	\$(115,000)	\$ 650,000	\$ 120,000
GEFA Note	1,302,995	-	(61,580)	1,241,415	63,453
GEFA Note - forgiven portion	850,000	-	(50,000)	800,000	50,000
Compensated absences	18,025	16,955	(18,967)	16,013	2,470
Net Pension Liability	108,253	26,770	(21,221)	113,802	-
	<u>\$ 3,044,273</u>	<u>\$ 43,725</u>	<u>\$(266,768)</u>	<u>\$ 2,821,230</u>	<u>\$ 235,923</u>

A summary of notes payable as of December 31, 2015 follows:

On July 21, 2005, the City of Grovetown, Georgia and Wachovia Bank issued Water & Sewerage Revenue Refunding Bonds Series 2005 in the amount of \$1,660,000. The purpose of the Series 2005 Bond was to pay the cost, in whole or in part, (a) of the City's outstanding Water & Sewerage Revenue Bond, Series 1987 (b) fully funding a debt service reserve for payment of the Series 2005 Bond, and (c) paying the fees and expenses relating to the issue of the Series 2005 Bond. The interest rate is 3.64% per annum and consists of 15 payments. Interest expense during 2015 was \$27,846.

Principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2016	\$ 120,000	\$ 23,660	\$ 143,660
2017	125,000	19,292	144,292
2018	130,000	14,742	144,742
2019	135,000	10,010	145,010
2020	140,000	5,096	145,096
Total	<u>\$ 650,000</u>	<u>\$ 72,800</u>	<u>\$ 722,800</u>

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 5 - Long-term debt (continued)**

In 2009, the City of Grovetown signed a \$2,500,000 note payable contract along with \$1,000,000 principal forgiveness as part of the American Reinvestment Recovery Act. This funding is to help finance the water system improvements. Payments of \$8,319 are made monthly on the \$1,500,000 unforgiven portion with interest. The interest rate is 3.00% per annum and interest expense during 2015 was \$22,846.

Principal and interest payments are as follows:

Year Ending December 31,	Principal	Interest	Total Payment
2016	\$ 63,453	\$ 36,375	\$ 99,828
2017	65,383	34,445	99,828
2018	67,372	32,456	99,828
2019	69,421	30,407	99,828
2020	71,532	28,295	99,827
2021-2025	391,650	107,488	499,138
2026-2031	512,604	44,767	557,371
Total	<u>\$ 1,241,415</u>	<u>\$ 314,233</u>	<u>\$ 1,555,648</u>

The notes are expected to be paid with resources of the proprietary funds and thus are reported as liabilities of those funds.

The \$1,000,000 forgiven portion is amortized over the life of the existing note and is considered only as a long-term liability. No interest is accrued. Principal forgiveness is as follows:

Year Ending December 31,	Principal	Interest	Total
2016	\$ 50,000	\$ -	\$ 50,000
2017	50,000	-	50,000
2018	50,000	-	50,000
2019	50,000	-	50,000
2020	50,000	-	50,000
2021-2025	250,000	-	250,000
2026-2031	300,000	-	300,000
Total	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ 800,000</u>

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 6 - Interfund receivables/transfers**

Interfund receivable and payable balances as of December 31, 2015, are as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund	General Fund	\$ 6,676
Water and Sewer Fund	Stormwater Fund	476,807
General Fund	Water and Sewer Fund	112,564
General Fund	Stormwater Fund	1,444
Stormwater Fund	Water and Sewer Fund	25,057

Interfund transfers that occurred during the year ended December 31, 2015, were as follows:

Transfer in	Transfer out	Total
Water and Sewer Fund	SPLOST	\$ 636,241

Interfund receivables and payables result from timing differences related to charges for services or reimbursable expenses. The City expects to repay these interfund balances between the Water and Sewer Fund and the General Fund within one year. Approximately \$30,000 of the interfund balance between the Water and Sewer Fund and the Stormwater Fund is considered current and due within one year.

**Note 7 - Risk management**

The City carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the City.

*Risk Pool* - The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Worker's Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of their agreement, the City must assist and cooperate in the defense and settlement of claims against the City. The City must furnish full cooperation to the pools' claims adjusters, and any agent or independent contractor of the pools. In addition, the City must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 7 - Risk management (continued)**

The fund is to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

As of December 31, 2015, there were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the City's insurance coverage.

**Note 8 - Pension plan**

*Plan description* - The City Council approved the adoption of a retirement plan May 11, 1987 and contributes to the Georgia Municipal Employees Benefit System (GMEBS) Pension Plan ("Plan"), an agent multiple employer defined contribution pension plan that acts as a common investment and administrative agent for cities in the state of Georgia. All full-time City employees are eligible to participate in the Plan after one year of service. Benefits vest after ten years of service. City employees may retire at age 55 under the early retirement provisions if they have completed ten years of service. Normal retirement is at age 65. Benefits are payable for life in an amount of covered compensation plus 2% of Participant Final Average Earnings, multiplied by years of service. The plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the GMEBS Pension Trust and Adoption Agreement executed by the City. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street, SW, Atlanta, Georgia 30303.

*Plan membership* - As of July 1, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to, but not receiving benefits	10
Active vested plan members	30
Active nonvested plan members	<u>64</u>
Total plan membership	<u>122</u>

*Contributions* - City employees are not required to contribute to the Plan. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The City funds the required minimum contributions. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the actuarially-recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by the Plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2015, the City's contribution rate was 5.37% of annual payroll. City contributions to the Plan were \$163,985 for the year ended December 31, 2015.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 8 - Pension plan (continued)**

*Net pension liability* - The City's net pension liability was measured as of March 31, 2015, which would make it applicable to the fiscal year beginning January 1, 2015 and ending December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015.

*Actuarial assumptions* - The mortality and economic actuarial assumptions used in the July 1, 2015 valuation were approved GMEBS Board of Trustees in December 2014 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.75%
Projected salary increases	3.25%
Cost of living adjustment	0.00%

Mortality rates for the valuation period were based on the RP-2000 Mortality Tables with sex-distinct rates, set forward two years for males and one year for females. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real Estate	10%	3.75%	7.00%
Total	100%		

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 8 - Pension plan (continued)**

*Discount rate* - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to actuarially determine contribution rates assumed that City contributions will be made at rates equal to the actuarial determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all the projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current year.

The City's net pension liability as calculated at the discount rates noted above are as follows:

1% decrease (6.75%)	\$958,820
Current rate (7.75%)	\$517,283
1% increase (8.75%)	\$152,211

*Changes in net pension liability* - The changes in the components of the net pension liability for the City for the year ended December 31, 2015 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at 03/31/2014	\$ 2,753,341	\$ 2,156,503	\$ 596,838
Changes for the year:			
Service cost	97,394	-	97,394
Interest	209,994	-	209,994
Differences between expected and actual experience	(38,044)	-	(38,044)
Contributions - employer	-	132,112	(132,112)
Contributions - employee	-	-	-
Net investment income	-	210,926	(210,926)
Benefit payments, including refunds of employee contributions	(87,480)	(87,480)	-
Administrative expense	-	(10,094)	10,094
Other	(15,955)	-	(15,955)
Net changes	165,909	245,464	(79,555)
Balances at 03/31/2015	\$ 2,919,250	\$ 2,401,967	\$ 517,283

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 8 - Pension plan (continued)**

The required schedule of changes in the City's net pension liability and related ratios in the required supplementary information section presents multi-year trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

*Pension expense and deferred outflows/inflows of resources related to pensions* - For the year ended December 31, 2015, the City recognized pension expense of \$163,985. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (33,292)
Changes of assumptions	-	(13,959)
Net difference between projected and actual earnings on plan investments	-	(33,968)
City contributions subsequent to the measurement date	136,654	-
Total	\$ 136,654	\$ (81,219)

City contributions subsequent to the measurement date of \$136,654 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b><u>Year Ending December 31.</u></b>	
2016	\$ (15,242)
2017	(15,242)
2018	(15,242)
2019	(15,242)
2020	(6,750)
2021 and thereafter	(13,500)
Total	\$ (81,218)

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 9 - Joint venture**

The City, in conjunction with other cities and counties located in the thirteen-county east central Georgia area, is a member of the CSRA Regional Commission and is required to pay annual dues thereto. Membership in a regional commission is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34, which provides for the organizational structure of regional commissions in Georgia. The regional commission board membership includes the chief official of each county and municipality of the area. O.C.G.A. Section 50-8-39.1 provides that member governments are liable for any debts or obligations of the regional commission. Separate financial statements may be obtained from:

CSRA Regional Commission  
 3626 Walton Way Extension, Suite 300  
 Augusta, GA 30909

**Note 10 - Landfill post closure costs**

The City contracts with Advanced Disposal, Inc. to dispose of its solid waste materials. During prior years, the City maintained a landfill; however, it has been closed for several years. The State of Georgia requires the City to perform certain maintenance and monitoring functions at the closed landfill and to make periodic reports to the appropriate agencies. The estimated liability for post closure cost is undeterminable; however, the City believes the maintenance cost is not material. Increases or decreases in cost due to inflation or deflation, changes in technology, changes to post closure care requirements, and changes in the extent of environmental remediation required by law may cause changes in the post closure care cost. If at such time that the post closure care cost is determined, a liability will be recorded and the appropriate disclosure will be reflected in the financial statements. There were no maintenance costs related to post closure care during the year ended December 31, 2015.

**Note 11 - Commitments**

Significant commitments at December 31, 2015 are composed of the following:

	<u>Project Authorization</u>	<u>Expended through December 31, 2015</u>	<u>Commitment</u>
Water Water Treatment Plant	\$ 23,224,100	\$ 145,150	\$ 23,078,950

The City has entered into an agreement for the future operations and maintenance of a new Waste Water Treatment Plant for the purpose of redirecting all waste water in the City to the new plant. The agreement is between: the City, Turnipseed Engineers and the Georgia Environmental Finance Authority (GEFA). Turnipseed Engineers is responsible for the design and construction of the plant. The City will be responsible for the operations of the plant once it becomes active. Its anticipated completion date is April 2018. The City entered into contract for financing with GEFA in January 2017 for the financing of the project. GEFA has required the City to pledge the use of the City’s revenue raising power (including its taxing power) as security for the payments to be made and the obligations required to be performed under the loan agreement.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 12 - Contingencies**

The City is a defendant in various lawsuits. In the opinion of the City's management and the City Attorney, the ultimate effect of these matters will not have a material adverse effect on the financial condition of the City.

**Note 13 - Change in accounting principle**

In 2015, the City adopted a new accounting standard, Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, as well as GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. This change in accounting principle resulted in a decrease in beginning net position of \$383,807 for governmental activities and \$101,607 for business-type activities.

**Note 14 - Prior Period Adjustments**

Governmental Activities

The City has determined that a restatement of the beginning Net Position of the Governmental Activities is necessary to record change in accounting principle for implementation of GASB Statement No. 68.

Net Position December 31, 2014 as previously recorded	\$ 25,740,778
Adjustment for GASB implementation	<u>(383,807)</u>
Net Position December 31, 2014, as restated	<u><u>\$ 25,356,971</u></u>

Water and Sewer Fund

The City has determined that a restatement of the beginning net position of the Water and Sewer Fund is necessary for the following reasons: (1) adjust due from other fund for establishment of Stormwater Fund, (2) to record expense improperly excluded in accounts payable from prior year, and (3) to record change in accounting principle for implementation of GASB Statement No. 68.

Net Postion December 31, 2014 as previously recorded	\$ 5,241,337
Adjustment to establish Stormwater fund due from	476,817
Adjustment for accounts payable from prior year	(162,537)
Adjustment for GASB implementation	<u>(108,253)</u>
Net Postion December 31, 2014, as restated	<u><u>\$ 5,447,364</u></u>

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 14 - Prior Period Adjustments (continued)**

Stormwater Fund

The City has determined that a restatement of the beginning net position of the Stormwater Fund is necessary to adjust due to other funds for establishment of Stormwater Fund.

Net Position December 31, 2014 as previously recorded	\$ -
Adjustment to establish Stormwater fund	<u>(476,817)</u>
Net Position December 31, 2014, as restated	<u><u>\$ (476,817)</u></u>

**Note 15 - Subsequent events**

In 2016, the City discovered assets relating to billings and collections for charges for services in the Water and Sewer Fund were misappropriated by an employee. In 2016, the Federal Bureau of Investigation and the U.S Department of the Treasury investigated the employee. Additionally, the City engaged a public accounting firm to perform a forensic audit. The results of the forensic audit indicated that approximately \$382,000 had been misappropriated during April 2015 - June 2016.

Because of the asset misappropriation identified by the Federal Bureau of Investigation, the City was involved in class-action litigation with citizens who may have been affected by the fraudulent activity. The litigation was settled by the City's insurance company on January 9, 2017. The City was required to pay \$1,500,000 into a Class Action Settlement Fund created under the settlement agreement. Final order and judgement was entered by the court on June 26, 2017. Per the terms of the settlement agreement, all remaining funds in the Settlement Fund following payments of all claims and attorney's fees would be returned to the City. On March 8, 2018 \$602,000 was returned to the City.

In 2016, the City was involved in a lawsuit with a former employee who filed suits against the City based on allegations of retaliation in violation of the whistleblower statute, unlawful retaliation and civil rights violations including claims for back pay. The suits were settled in mediation on March 29, 2017 for \$150,000. The City contributed \$70,000 towards settlements and the City's insurance contributed \$80,000 toward the settlements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF GROVETOWN, GEORGIA  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
DECEMBER 31, 2015**

<b>Total pension liability</b>	
Service cost	\$ 97,394
Interest on total pension liability	209,994
Differences between expected and actual experience	(38,044)
Benefit payments	(87,480)
Other	<u>(15,955)</u>
<b>Net change in total pension liability</b>	<b>165,909</b>
Total pension liability - beginning	<u>2,753,341</u>
Total pension liability - ending (1)	<u><u>\$2,919,250</u></u>
<b>Plan fiduciary net position</b>	
Employer contributions	\$ 132,112
Net investment income	210,926
Benefit payments	(87,480)
Administrative expense	<u>(10,094)</u>
<b>Net change in fiduciary net position</b>	<b>245,464</b>
Plan fiduciary net position - beginning	<u>2,156,503</u>
Plan fiduciary net position - ending (2)	<u><u>\$2,401,967</u></u>
<b>Net pension liability (1) - (2)</b>	<b>517,283</b>
Plan fiduciary net position as a % of total pension liability	82.28%
Covered-employee payroll	2,930,135
City's net pension liability as a % of covered payroll	17.65%

*\*Historical information prior to the implementation of GASB 67/68 is not required.*

**CITY OF GROVETOWN, GEORGIA  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
DECEMBER 31, 2015**

Actuarially determined contribution	\$ 163,985
Contributions in relation to the actuarially determined contribution	<u>(187,270)</u>
Contribution deficiency (excess)	<u>\$ (23,285)</u>
Covered-employee payroll	2,930,135
Contributions as a % of covered-employee payroll	6.39%

**CITY OF GROVETOWN, GEORGIA  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
 THE NET PENSION LIABILITY  
 DECEMBER 31, 2015**

	<b>City's proportion of the net pension liability</b>	<b>City's proportionate share of the net pension liability</b>	<b>City's covered employee payroll</b>	<b>City's proportionate share of the net pension liability as a percentage of covered payroll</b>	<b>Plan fiduciary net position net position as a percent of the total pension liability</b>
12/31/2015	17.72%	\$ 517,283	\$ 2,930,135	17.65%	82.28%

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

**Note 1 - Methods and assumptions used in calculations of actuarially determined contributions**

The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1 of the year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for the remaining unfunded liability
Remaining amortization period of 10 years	Varies for the bases, with a net effective amortization period
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial assumptions:

Net investment rate of return	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%

**Note 2 - Changes in methods and assumptions**

Because of the new administrative fee structure, the administrative expense assumption changed as follows:

	<u>Current</u>	<u>Prior</u>
Base fee	\$6,500	\$5,000
Per active and terminated vested participant	\$54	\$50
Per retiree and beneficiary	\$66	\$50
Percentage of the market value of assets	0.06%	0.05%

Based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014, the following assumptions were changed in the July 1, 2015 valuation:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

**CITY OF GROVETOWN, GEORGIA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

**Note 2 - Changes in methods and assumptions (continued)**

- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70. If retirement is not available at a given age or a participant does not meet the plan's service criteria to retire at a given age, no retirement is assumed at that age.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

**COMBINING FUND STATEMENTS**

**CITY OF GROVETOWN, GEORGIA  
 COMBINED BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Police Seizure Fund</u>	<u>Transportation SPLOST</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 3,962	\$ 306,164	\$ 310,126
Accounts receivable	-	17,283	17,283
Total assets	<u>\$ 3,962</u>	<u>\$ 323,447</u>	<u>\$ 327,409</u>
 <b>Liabilities and Fund Balances</b>			
Fund balances			
Restricted	<u>\$ 3,962</u>	<u>\$ 323,447</u>	<u>\$ 327,409</u>
Total fund balances	<u>3,962</u>	<u>323,447</u>	<u>327,409</u>
Total liabilities and fund balances	<u>\$ 3,962</u>	<u>\$ 323,447</u>	<u>\$ 327,409</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	Police Seizure Fund	Transportation SPLOST	Total
<b>Revenues</b>			
Intergovernmental	\$ 1,534	\$ 185,418	\$ 186,952
Investment earnings	-	135	135
Total revenues	<u>1,534</u>	<u>185,553</u>	<u>187,087</u>
<b>Expenditures</b>			
Current:			
Public safety	3,820	-	3,820
Capital outlay	-	74,224	74,224
Total expenditures	<u>3,820</u>	<u>74,224</u>	<u>78,044</u>
Excess of revenues over expenditures	<u>(2,286)</u>	<u>111,329</u>	<u>109,043</u>
Net changes in fund balance	(2,286)	111,329	109,043
Fund balances - beginning	<u>6,248</u>	<u>212,118</u>	<u>218,366</u>
Fund balances - ending	<u>\$ 3,962</u>	<u>\$ 323,447</u>	<u>\$ 327,409</u>

The accompanying notes are an integral part of these financial statements.

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of City Council  
and City Administrator  
City of Grovetown, Georgia

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grovetown, Georgia, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Grovetown, Georgia's basic financial statements and have issued our report thereon dated November 15, 2018. Our report disclaims an opinion on such financial statements because the City experienced fraud during the year which resulted in a lack of supporting documentation for cash, accounts receivable and revenues. Due to the fraud and subsequent investigations, the City was unable to provide supporting documentation for a majority of the revenue transactions selected for testing during the audit. Further, we were unable to determine the completeness of the City's cash, accounts receivable and revenues. As a result of this matter, we were unable to determine whether any adjustments might have been found that would affect the accuracy and completeness of the financial statements as a whole.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of the City of Grovetown, Georgia, we considered the City of Grovetown, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grovetown, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grovetown, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified as items 2015-001, 2015-002, 2015-003, 2015-004 and 2015-005 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified as 2015-006 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the City of Grovetown, Georgia, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-006 and 2015-007. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

### **City of Grovetown, Georgia's Response to Findings**

City of Grovetown, Georgia's responses to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. City of Grovetown, Georgia's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Serotta Maddocks Evans & Co.*  
 SEROTTA MADDOCKS EVANS & CO., CPA's

Augusta, Georgia  
 November 15, 2018

CITY OF GROVETOWN, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015

**A. Summary of Audit Results**

1. The auditors' report reflects a disclaimer of opinion on whether the financial statements of the City of Grovetown, Georgia were prepared in accordance with GAAP.
2. Five material weaknesses relating to the audit of the financial statements are reported in the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. Two instances of noncompliance with laws, regulations and the provisions of budgets and financial reporting requirements that are material to the basic financial statements of the City of Grovetown, Georgia, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**B. Findings - Financial Statement Audit**

**Material Weaknesses:**

**2015-001:** Lack of segregation of duties over journal entry postings

**Condition:** The City does not have policies and procedures in place for the preparation, processing, and approval of journal entries resulting in a lack of segregation of duties over this process.

**Criteria:** To control the journal entry process, the City should use journal entry forms which include the name of the preparer, the reason for the journal entry, the type of supporting documentation attached and a signature for the approval of the journal entry. Journal entries should not be prepared and posted by the same individual.

**Cause:** Effective policies and procedures are not in place to ensure the propriety or completeness of the journal entries. Specifically, there are not processes in place to ensure that journal entries are properly prepared, supported, approved and monitored. Controls are not in place to ensure proper segregation of duties related to the preparation and posting of journal entries.

**Effect:** Financial statement amounts may be misstated and/or not properly supported. Failure to implement effective processes and procedures could increase the risks of fraud and mismanagement of funds.

**Recommendation:** To improve internal control and operating efficiency, management should establish policies and procedures to strengthen controls over the journal entry review and approval process to ensure that all journal entries are complete, accurate, properly supported, and approved prior to posting to the general ledger.

**Management's Response:** *The City accepts the recommendation of the auditors. The City has created the positions of Finance Director and Staff Accountant to help create proper segregation of duties with respect to the journal entry process. The new positions allow for proper segregation of duties related to the creation and posting of the City's journal entries.*

CITY OF GROVETOWN, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015

**2015-002:** Lack of internal controls over identifying and recording capital assets

**Condition:** The City did not have all new assets added to the general ledger.

**Criteria:** All capital assets should be reflected in the general ledger.

**Cause:** The City does not have adequate internal controls in place to identify all new capital assets for the City.

**Effect:** The financial statements did not accurately report the account balances and activity for the City for the reporting period.

**Recommendation:** To improve operating efficiency and internal control, management should establish policies and procedures to identify and record all assets owned by the City.

**Management's Response:** *The City accepts the recommendation of the auditors. The City hired a Finance Director and Staff Accountant who will be responsible for the maintenance of the capital asset listing of the City. The policies of the City will be updated to improve recording of the City's capital assets.*

**2015-003:** Fund balances should be stated according to generally accepted accounting principles

**Condition:** Beginning fund balances were not fairly stated according to generally accepted accounting principles.

**Criteria:** Fund balances should be fairly stated according to generally accepted accounting principles.

**Context:** During our audit, a prior period adjustment was identified which resulted in the restatement of the beginning balance of certain funds as follows:

Water and Sewer Fund - A prior period adjustment was required to correct assets listed on the general ledger.

**Cause:** Internal controls were not sufficient to allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements in a timely manner.

**Recommendation:** To improve internal control and operating efficiency, management should establish policies and procedures sufficient for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

CITY OF GROVETOWN, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015

**Management's Response:** *The City accepts the recommendation of the auditors. The City hired a Finance Director and Staff Accountant to address several internal control deficiencies identified during financial statement audits. The Finance Department has updated its policies and procedures to help assist with preventing errors causing restatements of financial statements in the future.*

**2015-004:** Internal controls over cash receipts, deposits and reconciliations of bank accounts

**Condition:** During the year, the City experienced a misappropriation of cash due to a lack of segregation of duties over cash, deposits and bank reconciliations.

**Criteria:** Internal controls should be in place to prevent financial mismanagement and misappropriation of assets.

**Cause:** Deposits were being held to match the revenue by fund and the cash deposited into each fund's bank account. Total cash receipts were not deposited into the bank accounts. Accounting records were recorded to match actual cash deposited and not actual cash received.

**Effect:** The City experienced a misappropriation of cash assets. This resulted in inaccurate financial reporting and an understatement of revenues.

**Recommendation:** To improve internal control and operating efficiency, management should establish policies and procedures to insure oversight of cash accounts and insure that deposits are made in a timely manner. Management should also agree daily customer receipts to the daily deposits. Controls should be in place to prevent misappropriation of assets.

**Management's Response:** *The City accepts the recommendation of the auditors. In 2016 the City underwent a fraud investigation that resulted in the exposure of significant deficiencies regarding internal controls over cash, deposits and bank reconciliations. There was no segregation of duties in place regarding cash handling. Beginning July 2016, policies and procedures were developed and implemented to ensure timely deposits as well as daily reconciliation of customer receipts and daily deposits. Once reconciled by the Utility Billing Supervisor, the deposits are reviewed and taken to the bank by the City Clerk. The City Clerk then provides the reviewed deposit to the Staff Accountant for additional review and posting to the City's accounting software. The Staff Accountant then provides posted transactions to the Finance Director for final review and approval.*

CITY OF GROVETOWN, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015

**2015-005:** Revenue recognition in accordance with generally accepted accounting principles and maintaining supporting documentation

**Condition:** Records were unavailable for the testing of revenues for Water, Sewer and Garbage. Due to lack of records and the misappropriation identified in 2015-004, revenues are understated.

**Criteria:** Revenues are recognized when realized or realizable and earned and supporting documentation should be maintained to provide accurate reporting of revenue.

**Cause:** The billing system is not integrated with the general ledger. The revenues are recorded on the cash basis until the end of the year, when an adjustment is posted to record the true revenue amounts. No reconciliations were performed between daily receipts and cash deposited.

**Effect:** Revenues are understated. Due to the lack of records, the extent of the understatement is not determinable.

**Recommendation:** To improve internal control and operating efficiency, management should establish policies and procedures to insure revenue is being recorded in a timely manner to reduce the risk of revenue not being correctly recognized. Integrating the billing and payment system with the general ledger will improve internal controls over revenue recognition.

**Management's Response:** *The City accepts the recommendation of the auditors. In 2016, the City implemented new controls over the accounting software limiting employee access to the select modules required to perform the duties of their position. The City also implemented additional controls listed in finding 2015-004.*

**Significant Deficiencies:**

**2015-006:** Preparation of a balanced budget for special revenue funds

**Condition:** The City did not prepare a balanced budget for the Police Seizure Fund.

**Criteria:** A balanced budget should be prepared and approved for the City's Special Revenue Funds annually.

**Cause:** City personnel were not previously aware of the requirement to prepare a balanced budget for the Police Seizure Fund.

CITY OF GROVETOWN, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015

**Effect:** The City was not in compliance with state statutes.

**Recommendation:** To improve internal control, operating efficiency and compliance with state statutes, the City should approve a balanced budget for the Special Revenue Fund.

**Management's Response:** *The City accepts the recommendation of the auditors. The City created a budget for FY 2016 for the Police Seizure Fund.*

**2015-007:** Issuance of audited financial statements within six months of the City's year end

**Condition:** The City did not issue audited financial statements within six months of year end.

**Criteria:** Georgia law requires the City to issue audited financial statements within six months of year end.

**Cause:** The City was unable to complete their audit due to investigations related to the misappropriation of assets that is noted in finding 2015-004.

**Effect:** The City was not in compliance with state statutes.

**Recommendation:** To improve internal control, operating efficiency and compliance with state statutes, the City should issue audited financial statements within the prescribed six-month time frame.

**Management's Response:** *The City accepts the recommendation of the auditors. The City has implemented policies and procedures to assist with timely submissions of audited financial statements in the future.*

CITY OF GROVETOWN, GEORGIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2015

**A. Prior Year Findings and Questioned Costs - Financial Statement Audit**

**Material Weaknesses**

**2014-1:** Lack of segregation of duties over journal entry postings

*Condition:* The City does not have policies and procedures in place for the preparation, processing, and approval of journal entries resulting in a lack of segregation of duties over this process.

*Status:* Finding is repeated in 2015.

**2014-2:** Lack of internal controls over identifying and recording capital assets

*Condition:* The City did not have all new assets added to the general ledger.

*Status:* Finding is repeated in 2015.

**2014-3:** Fund balances should be stated according to generally accepted accounting principles

*Condition:* Beginning fund balances were not fairly stated according to generally accepted accounting principles.

*Status:* Finding is repeated in 2015.

**2014-4:** Timely deposits of cash

*Condition:* During testing of internal controls instances of deposits not being made in a timely manner were found.

*Status:* Finding is repeated in 2015.

**2014-5:** Revenue recognition in accordance with generally accepted accounting principles

*Condition:* During testing of revenues for Water, Sewer and Garbage were found to be understated.

*Status:* Finding is repeated in 2015.

CITY OF GROVETOWN, GEORGIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2015

**Significant Deficiency:**

**2014-6:** Preparation of a balanced budget for special revenue funds

**Condition:** The City did not prepare a balanced budget for the Police Seizure Fund.

**Status:** Finding is repeated in 2015.

**STATE REPORTING SECTION**

**CITY OF GROVETOWN, GEORGIA**  
**SCHEDULE OF PROJECT EXPENDITURES WITH**  
**SALES TAX PROCEEDS (2006-2010)**  
**DECEMBER 31, 2015**

Project	Original Estimated Cost	Revised Estimated Cost	Prior Year	Current Year	To Date	Percentage of completion
<b>Tier I</b>						
Water tank	\$ 600,000	\$ 702,000	\$ 701,297	\$ -	\$ 701,297	99.90%
Public works equipment	500,000	515,000	524,920	-	524,920	101.93%
Water/sewer	389,500	850,000	724,343	-	724,343	85.22%
Buildings/land	400,000	563,000	562,777	-	562,777	99.96%
Soccer/tennis/basketball	125,000	227,000	226,272	-	226,272	99.68%
Euchee Creek bathrooms	75,000	-	-	-	-	0.00%
Public safety vehicles	50,000	62,250	62,000	-	62,000	99.60%
Total - Tier I	<u>2,139,500</u>	<u>2,919,250</u>	<u>2,801,609</u>	<u>-</u>	<u>2,801,609</u>	95.97%
<b>Tier II</b>						
Fire engine	400,000	850,000	803,750	-	803,750	94.56%
Transportation/streets	400,000	638,000	733,158	-	733,158	114.92%
Paving parking lots	100,000	100,000	100,000	-	100,000	100.00%
Public safety vehicles	75,000	76,512	76,512	-	76,512	100.00%
Computer upgrade	100,000	100,000	52,621	-	52,621	52.62%
Total - Tier II	<u>1,075,000</u>	<u>1,764,512</u>	<u>1,766,041</u>	<u>-</u>	<u>1,766,041</u>	100.09%
<b>Tier III</b>						
Turn out gear/communications	75,000	27,000	26,488	-	26,488	98.10%
Equipment/maintenance	50,000	50,000	26,251	-	26,251	52.50%
Public safety vehicles	50,000	108,000	107,558	-	107,558	99.59%
Euchee Creek trail	300,000	167,000	166,348	-	166,348	99.61%
Total - Tier II	<u>475,000</u>	<u>352,000</u>	<u>326,645</u>	<u>-</u>	<u>326,645</u>	92.80%
Grand Total	<u>\$ 3,689,500</u>	<u>\$ 5,035,762</u>	<u>\$ 4,894,295</u>	<u>\$ -</u>	<u>\$ 4,894,295</u>	97.19%

The accompanying notes are an integral part of these financial statements.

**CITY OF GROVETOWN, GEORGIA**  
**SCHEDULE OF PROJECT EXPENDITURES WITH**  
**SALES TAX PROCEEDS (2011-2016)**  
**DECEMBER 31, 2015**

Project	Original Estimated Cost	Prior Year	Current Year	To Date	Percentage of completion
<b>Tier I</b>					
Public works equipment, vehicles and heavy equipment	\$ 1,000,000	\$ 689,532	\$ 310,468	\$ 1,000,000	100.00%
Public safety vehicles, fire station, & equipment	1,762,466	2,125,683	-	2,125,683	120.61%
City facilities					
Renovations/expansions	1,600,000	776,703	450,581	1,227,284	76.71%
Security system	100,000	4,039	-	4,039	4.04%
Water & sewer					
Water & sewer improvements	2,000,000	3,082	371,934	375,016	18.75%
Equipment	200,000	-	-	-	0.00%
Computers - all departments	50,000	25,522	37,303	62,825	125.65%
Transportation	400,000	185	91,011	91,196	22.80%
Recreation					
Park improvements	1,200,000	47,100	10,440	57,540	4.80%
<b>Total - Tier I</b>	<b>\$ 8,312,466</b>	<b>\$ 3,671,846</b>	<b>\$ 1,271,737</b>	<b>\$ 4,943,583</b>	<b>59.47%</b>
<b>Tier II</b>					
City facilities:					
Renovations/expansions	\$ 800,000	\$ -	\$ 42,161	\$ 42,161	5.27%
Public safety:					
Vehicles	725,000	-	-	-	0.00%
Public works:					
Equipment	300,000	-	-	-	0.00%
Recreation					
Park improvements	419,422	-	-	-	0.00%
Walking trail improvements	200,000	133,752	-	133,752	66.88%
Water & sewer					
Improvements & equipment	400,000	-	-	-	0.00%
<b>Total - Tier II</b>	<b>\$ 2,844,422</b>	<b>\$ 133,752</b>	<b>\$ 42,161</b>	<b>\$ 175,913</b>	<b>6.18%</b>
<b>Tier III</b>					
Museum/media center/land	1,831,340	-	-	-	0.00%
<b>Total - Tier III</b>	<b>\$ 1,831,340</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Grand Total</b>	<b>\$ 12,988,228</b>	<b>\$ 3,805,598</b>	<b>\$ 1,313,898</b>	<b>\$ 5,119,496</b>	<b>39.42%</b>

The accompanying notes are an integral part of these financial statements.